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## Indonesia

### Grain and Feed

### Feed Situation

### 2007

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**Report Highlights:**

Indonesian total commercial feed production is forecast to increase by 9.2 percent to 8.5 million tons in 2008 in line with the increase in poultry, swine, aquaculture, and cattle production to meet the increasing demand for animal-based protein for human consumption. Despite soaring prices in the international market, Indonesian feed millers are still importing most of the feed ingredients to meet the increasing demand for feed.

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Includes PSD Changes: No  
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[ID]

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## I. SITUATION AND OUTLOOK

The Indonesian total commercial feed production is forecast to increase by 9.2 percent to 8.5 million tons in 2008 in line with the increase in poultry, swine, aquaculture, and cattle production to meet the increasing demand for animal-based protein for human consumption.

In 2007, Indonesian feed mills are estimated to reduce corn imports due to the increase in domestic corn production, and at the same time, mills are expected to continue to fully source soybean meal from imports. The United States has been a major supplier of corn to Indonesia while soybean meal is mostly sourced from Argentina.

The government of Indonesia's policy to limit imports of ruminant-based feed ingredients such as meat and bone meal (MBM), to countries or zones that are given negligible BSE (bovine spongiform encephalopathy) risk classification by the World Animal Health Organization has created further challenges for an industry already facing uncertainties due to Avian Influenza.

## PRODUCTION

Total installed capacity of Indonesian feed mills is approximately 11.5 million tons per year, but production is running at around 65 percent of capacity. Feed accounts for 60 percent of total poultry production cost.

In line with the increasing production of meat from poultry, swine, aquaculture, and cattle, overall Indonesian commercial feed production is estimated to increase by 9.2 percent to 8.5 million tons in 2008 compared to 7.8 million tons in 2007. Around 500,000 tons of self-mixed feed is produced annually, mostly by small farmers with layer chickens. Regardless of their limited knowledge in feed formulation, when the price of corn, the main component in feed, declines small farmers tend to self-mix their feed because of quality concerns.

The Indonesian Feed Millers Association (GPMT = Gabungan Pengusaha Makanan Ternak) has 39 members located mainly on the island of Java (Banten and East Java) and Lampung. Four of the GPMT members are fully integrated feed millers that own breeding farms, feed mill facilities, poultry processing plants, and poultry meat processing plants, and have poultry production partnerships with farmers. Their share of feed production accounts for 70 percent of total Indonesian feed production. Two other GPMT members who account for 10 percent of total production share are semi-integrated feed millers that own their breeding farm, feed mill facility, and they just initiated a partnership with farmers to produce poultry.

Problems hampering improvement of feed production quality include inadequate post harvest corn management that leads to high moisture and aflatoxin content, high prices of feed ingredients in the international market, low level of farmer education, the spreading location of corn farms and the long distance from corn farms to feed mill facilities, limited storage capacity, and inconsistent government policy.

## CONSUMPTION

In 2006, approximately 78 percent of commercial feed produced in Indonesia was consumed by the broiler and layer sectors, 8 percent by swine, 7 percent by aquaculture, and the balance is consumed by ruminants.

Corn is the main source of energy in feed, with an average of 50-55 percent share of feed. When soybean meal is the main source of protein, it averages about 15-25 percent share of the feed. Soybean meal accounts for a larger share of aquaculture feed, about 28-30 percent of the feed.

The Indonesian feed mills are estimated to use 4 million tons of corn and 1.9 million tons of soybean meal in feed in 2007. About 75 percent of corn demand is expected to be fulfilled from domestic production while all of the soybean meal is imported, since Indonesia does not have any soybean crushing facilities.

Indonesian feed millers also consume an average of 350,000 tons of meat and bone meal, 170,000 tons poultry meat meal, and 80,000 tons of fish meal.

## TRADE

Please refer to GAIN Report ID7007 on the Indonesian soybean meal trade and ID7011 on the Indonesian corn trade.

The largest supplier of imported fish meal to Indonesia is Peru (29 percent) due to the lower ash and phosphorous content. The balance is imported from Chile (16 percent) and Thailand (14 percent). Peru and Chile offer fish meal containing only whole parts of the fish and a lower ash and phosphorous content compared to fish meal from other origins that contain only the head and tail parts of the fish. Due to the increasing price of fish meal, it is reported that Indonesian feed millers are looking at producing fish meal domestically, and expect to reduce imports of fish meal by 20 percent next year.

Fish meal prices reached US\$ 900 – US\$ 1,000 per ton this year, which prompted feed millers to increase imports of poultry meat meal (PMM) and meat and bone meal (MBM). In 2006, Indonesia imported around 376,000 tons of PMM, with the United States accounting for the largest share at 69 percent followed by Spain (19 percent), and Italy (9 percent). A total of 366,000 tons of MBM was imported in 2006 from New Zealand (53 percent), Australia (44 percent), and the United States (4 percent).

Indonesian feed millers would prefer to source more MBM from the United States because of prices as compared to New Zealand and Australia. However, since currently the GOI allows only one U.S. rendering plant to export MBM to Indonesia, the price of U.S. MBM is only marginally lower than the price of New Zealand and Australian MBM.

The high demand for MBM and the unfair trade situation, combined with unclear and inconsistent GOI policy has become an incentive for some feed ingredient importers to smuggle MBM to Indonesia. Using forged documents they smuggled MBM that were declared as PMM. Reportedly during 2007, hundreds of MBM containers from Spain and United Kingdom were accompanied by forged documents declaring the shipments as PMM. The shipments were detained by the Indonesian animal quarantine in Tanjung Perak port, East Java and Tanjung Priok port, Jakarta. Following this incident, Indonesian animal quarantine has become more proactive in looking for MBM shipments declared as PMM. The result has been detained shipments of PMM from the United States and other problems at port.

In 2006, Indonesia imported 40,000 tons of Distillers Dried Grain Solubles (DDGS) and 162,000 tons of corn gluten meal (CGM) from United States. An increase in exports of U.S. DDGS into Indonesia is hindered by the 5 percent import duty imposed on DDGS which is the same as the duty imposed on corn, causing the landed price of U.S. DDGS to be uncompetitive when compared to the price of corn.

**PRICE**

The price of corn at the farm gate level in Lampung was Rp. 2,200/kg (US\$ 234/ton) as of September 7, 2007 increasing from Rp. 1,900/kg (US\$ 202/ton) the previous week. The price is increasing due to declining supplies of domestically produced corn. The monthly landed price (CNF) of Distillers Dried Grain Solubles (DDGS), soybean meal (SBM), and corn gluten meal (CGM) can be seen at the following table:

Average Monthly CNF Price of DDGS, SBM, and CGM  
(in US\$/MT, Indonesian major ports)

Period	DDGS	SBM	CGM
2006			
Jul	205	n/a	n/a
Aug	200	n/a	320
Sep	195	n/a	340
Oct	207	285	360
Nov	218	305	400
Dec	215	300	415
2007			
Jan	215	305	422
Feb	210	315	440
Mar	208	345	440
Apr	198	325	460
May	195	305	455
Jun	192	335	460
Jul	191	323	500
Aug	188	335	505

Source: Traders

**POLICY**

In July, the Directorate general of Livestock issued a regulation that all PMM and HCFM (Hydrolized Chicken Feather Meal) shipments from all origins must be accompanied with a letter confirming the product is free from pork, ruminant, or any other animal material except poultry. However, the effective date of this regulation is unclear.

## II. STATISTICAL DATA

Indonesian Commercial Feed Production \*  
(In 000MT)

Description	2005	2006	2007	2008* *
Broiler Feed	2,845	3,126	3,441	3,785
Layer Feed	2,854	3,025	3,134	3,447
Swine Feed	590	620	650	682
Aqua Feed	550	577	605	635
Ruminants Feed	500	500	500	500
Total	7,339	7,848	8,330	9,049

Source: American Soybean Association (ASA).

Note \*: Including 500,000 tons self mixed feed produced by small layer farmers.

\*\*: Forecast figure

## Indonesian Feed Raw Material Export

HS Code	Description	2004		2005		2006	
		USD	Ton	USD	Ton	USD	Ton
1005.90	Corn, Yellow	5,738,774	29,740	8,763,279	53,855	4,229,196	28,026
1108.12.00	Corn Starch	2,989,470	14,305	998,290	4,046	4,615	8
2301.10.00	Corn Bran	0	0	0	0	0	0
2303.10.90	Corn Gluten Meal	169,975	1,151	672,727	3,785	1,223,724	6,549
2303.30.00	DDGS	0	0	0	0	0	0
2302.40.10	Rice Bran	5,087	63	314	0	0	0
1108.11.00	Wheat Starch	1,272,160	8,931	10,550	99	50,390	145
1109.00.00	Wheat Gluten	0	0	0	0	0	0
1201.00.90	Soybean	501,092	1,300	484,697	876	2,890,698	1,732
2304.00.00	Soybean Meal	1,750	8	0	0	6	0
1511.10.00	CPO	1,444,421,828	3,819,927	1,593,295,437	4,565,625	1,993,666,661	5,199,287
1513.21.00	Palm Kernel Oil	385,997,322	706,082	448,954,959	812,326	506,001,876	1,032,181
2306.00.00	Palm Kernel Meal	0	0	0	0	0	0
2305.00.00	Peanut Meal	0	0	0	0	0	0
2306.50.00	Copra Meal	23,529,902	267,052	25,269,294	323,774	15,774,201	238,359
2306.10.00	Cotton Seed Meal	777,805	7,621	146,126	1,162	2,091,949	41,395
2306.30.00	Sunflower Meal	0	0	0	0	0	0
2306.40.00	Rape Meal	0	0	0	0	0	0
0505.90.	Feather Meal	331,538	557	639,695	930	860,981	852
2301.10.100	Meat Meal	2,007,180	13,211	1,628,426	7,028	226,134	729
2301.20.00	Fish Meal	1,535,428	4,574	445,251	1,446	767,278	1,437
2309.90.30	Meat and Bone Meal	8,852,431	19,227	9,365,823	23,394	9,516,763	22,263

Source: Global Trade Atlas

Note \*: Includes premix, feed supplements or feed additives.

## Indonesian Feed Raw Material Import

HS Code	Description	2004		2005		2006	
		USD	Ton	USD	Ton	USD	Ton
1005.90	Corn, Yellow	170,709,508	1,084,362	27,071,097	183,814	276,121,767	1,774,617
1108.12.00	Corn Starch	4,379,728	13,482	7,595,179	28,615	10,477,612	35,471
2301.10.00	Corn Bran	0	0	0	0	0	0
2303.10.90	Corn Gluten Meal	75,455,395	185,099	62,951,640	195,626	60,605,570	184,152
2303.30.00	DDGS	1,040,904	4,322	475,850	3,422	404,643	2,916
2302.40.10	Rice Bran	0	0	0	0	0	0
1108.11.00	Wheat Starch	1,392,623	7,110	1,152,769	5,754	912,826	4,175
1109.00.00	Wheat Gluten	2,757,292	5,136	2,433,459	4,609	2,709,322	4,684
1201.00.90	Soybean	416,929,803	1,115,793	308,008,850	1,086,178	299,578,194	1,132,144
2304.00.00	Soybean Meal	532,000,073	1,730,015	474,165,709	1,852,702	493,327,369	2,116,058
1511.10.00	CPO	1,067,327	2,873	14,058	19	46,109	95
1513.21.00	Palm Kernel Oil	0	0	0	0	0	0
2306.00.00	Palm Kernel Meal	0	0	0	0	0	0
2305.00.00	Peanut Meal	14,698,426	67,572	1,306,113	7,121	1,225,237	6,915
2306.50.00	Copra Meal						
2306.10.00	Cotton Seed Meal	1,002,754	3,170	738,867	3,193	941	0
2306.30.00	Sunflower Meal	0	0	0	0	0	0
2306.40.00	Rape Meal	12,122,120	78,685	11,138,159	76,507	10,647,068	76,652
0505.90.	Feather Meal	502,526	292	1,057,894	392	1,492,836	552
2301.10.10 0	Meat Meal	6,625,474	15,347	13,660,599	39,527	40,324,205	128,243
2301.20.00	Fish Meal	45,128,194	70,130	54,953,618	82,790	76,527,219	88,852
2309.90.30 *	Meat and Bone Meal	199,633,288	444,333	187,619,086	447,837	175,283,952	365,502

Source: Global Trade Atlas

Note \*: Includes premix, feed supplements or feed additives.

**Tariff Rate and Value Added Tax (VAT)**

HS Code	Description	Import Duty (%)	VAT (%)
1005.90	Corn, Yellow	5	0
1108.12.00	Corn Starch	10	10
2301.10.00	Corn Bran	5	10
2303.10.90	Corn Gluten Meal	0	10
2303.30.00	DDGS	5	10
2302.40.10	Rice Bran	5	10
1108.11.00	Wheat Starch	5	10
1109.00.00	Wheat Gluten	5	10
1201.00.90	Soybean	10	0
2304.00.00	Soybean Meal	0	10
1511.10.00	CPO	0	10
1513.21.00	Palm Kernel Oil	0	10
2306.00.00	Palm Kernel Meal	0	10
2305.00.00	Peanut Meal	0	10
2306.50.00	Copra Meal	0	10
2306.10.00	Cotton Seed Meal	0	10
2306.30.00	Sunflower Meal	0	10
2306.40.00	Fish Meal	5	10
0505.90.	Feather Meal	5	10
2301.10.100	Meat Meal	0	10
2301.20.00	Fish Meal	0	10
2309.90.30	Meat and Bone Meal	0	10
2309.90.20	Premix, Feed Supplement or Feed Additives	0	10

Source: Indonesian Book on Tariff and Import Duty 2007.

**OTHER RELEVANT REPORTS**

1. Indonesia Oilseeds Annual Report 2007 (ID7007)  
<http://intranetapps/GainFiles/200702/146280302.pdf>
2. Indonesia Grain and Feed Annual Report 2007 (ID7011)  
<http://intranetapps/GainFiles/200704/146280723.pdf>

Note: Exchange rate is Rp. 9,410/US\$ 1, as of August 2007.